

CITY OF BUCK GROVE

INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
AUGUST 1, 2013 THROUGH JULY 31, 2014

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City of Buck Grove

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Joseph Klein	Mayor	January 2016
Lindsey Gotto	Council Member	January 2016
Brenda Hansen	Council Member	January 2016
Lois Johnson	Council Member	January 2016
Lisa Katzer	Council Member	January 2016
Theodore Miller	Council Member	January 2016
Shirley Caldwell	City Clerk	Indefinite

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

October 28, 2014

Lonnie G. Muxfeldt

Certified Public
Accountant

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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council:

I have performed an agreed-upon procedures engagement of the City of Buck Grove pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa legislature to provide certain minimum oversight of Iowa cities. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Buck Grove for the period August 1, 2013 through July 31, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards issued by the Comptroller general of the United States.

The procedures I performed are summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. I reviewed City funds for consistency with the City Finance Committee's (CFC) recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.

6. I reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
7. I reviewed and tested selected receipts for accurate accounting and consistency with the COA.
8. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
9. I reviewed transfers between funds for propriety, proper authorization and accurate accounting.
10. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
11. I reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various recommendations for the City. My recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

I was not engaged to and did not conduct an audit of the operations of the City of Buck Grove, the objective of which is the expression of opinions on financial statements. Accordingly, I do not express opinions on the City's financial statements. Had I performed additional procedures, or had I performed an audit of the City of Buck Grove, additional matters might have come to my attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Buck Grove and other parties to whom the City of Buck Grove may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Buck Grove during the course of my agreed-upon procedures. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



DETAILED RECOMMENDATIONS

CITY OF BUCK GROVE

DETAILED RECOMMENDATIONS

FOR THE PERIOD AUGUST 1, 2013 THROUGH JULY 31, 2014

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparation and distribution.
- (5) Financial reporting – preparing and reconciling.
- (6) Journal entries – preparing and journalizing.
- (7) Accounting System – performing all general accounting functions including journal entries and having custody of assets.
- (8) Computer system – performing all general accounting functions and controlling all data input and output.

Recommendation – I realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) City Council Minutes – Chapter 372.13 (6) of the Code of Iowa requires that the minutes of all City Council proceedings be published within fifteen days of the meeting and include a summary of total receipts received by each fund, a summary of total disbursements from each fund, a summary of ordinances or amendments adopted and annual individual gross salaries are published as required. Although the minutes were published within fifteen days, none of the minutes tested included total receipts or total disbursements summaries by fund, one meeting minutes did not include a summary of the ordinance passed and the annual gross salaries were not published as required.

CITY OF BUCK GROVE
DETAILED RECOMMENDATIONS
FOR THE PERIOD AUGUST 1, 2013 THROUGH JULY 31, 2014

- (B) City Council Minutes, (continued) -- Also one published minutes did not show who was present or absent from the meeting to show sufficient information to indicate the vote of each member present.

Recommendation – The city should comply with the Code of Iowa and publish minutes that include a summary of receipts by fund, a summary of disbursements by fund and a summary of ordinances and amendments adopted. The city should also publish annual gross salaries in accordance with Attorney General’s opinion dated April 12, 1978. The minutes of each meeting should show who was present at the meeting so there is a clear indication as to the vote by each member present.

- (C) Financial Condition – The Park Fund had a deficit balance at July 31, 2014.

Recommendation – The City should investigate alternatives to eliminate the deficit balance in order to return these funds to a sound financial condition.

- (D) Disbursement – It was noted during testing that one disbursement was issued prior to City Council approval. Also, there were numerous disbursements tested that were not substantiated with supporting documentation. There was one disbursement mis-posted to the general ledger by \$18.

Recommendation – All disbursements should be approved for payment by the City Council before issuance. Also, all disbursements should have substantiating documentation for the claim being paid. A review of disbursement posting should be done to insure correct ledger balances.

- (E) Fund Balance – The general fund balance on the City’s trial balance is out of balance by \$498.

Recommendation – The City should investigate this issue and form a plan of action to correct it.

CITY OF BUCK GROVE

DETAILED RECOMMENDATIONS

FOR THE PERIOD AUGUST 1, 2013 THROUGH JULY 31, 2014

- (F) Payroll – The annual salaries of the City employees were not published in accordance with Iowa Attorney General's Opinion 78-4-7. In addition, no records were found which authorize the amounts paid to the Mayor and Council for each meeting attended, along with no reconciled records of how many meetings each attended for which payment was due.

Recommendation – The City should comply with the Iowa Attorney General's Opinion 78-4-7 dated April 12, 1978 and publish annual gross salaries of the City employees. Council should pass a resolution that authorizes a pay rate per meeting for the Mayor Council and reconcile meeting attendance to records for accurate payment.

- (G) Receipts – There were incorrect receipt amounts posted to the general ledger for the one month tested.

Recommendation -- The Clerk should reconcile receipt amounts received to the bank statement monthly to assure correct postings to the general ledger.

- (H) Financial Reporting – The Clerk's financial reports to the City Council included cash balances and year to date receipts and disbursements, but did not include comparisons to the certified budget by function or a summary of balance, receipts, disbursements transfers and ending balance by fund.

Recommendation – To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the Clerk's monthly financial reports to the City Council should include comparisons to the certified budget by function. Also, for better financial information, the monthly reports should also include the beginning balance, receipts, disbursements, transfers and ending balance for each fund.

CITY OF BUCK GROVE
DETAILED RECOMMENDATIONS
FOR THE PERIOD AUGUST 1, 2013 THROUGH JULY 31, 2014

- (I) Monthly Clerk's Report -- The Monthly Clerk's Report presented to the City Council for approval does not contain beginning and ending fund balances for each fund.

Recommendation -- The beginning and ending fund balances should be included in the monthly reports presented to the City Council for approval.

- (J) Annual Financial Report -- The beginning and ending fund balances on the June 30, 2013 Annual Financial Report did not balance with the beginning and ending fund balances per the general ledger.

Recommendation -- The City should investigate the errors in fund balances on the Annual Financial Report and correct the balances and file amended AFR's for the previous two years.

CITY OF BUCK GROVE
BUCK GROVE, IA 51528

NEWS RELEASE

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an agreed-upon procedures report on the City of Buck Grove, Iowa for the period August 1, 2013 through July 31, 2014. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Muxfeldt Associates, CPA, P.C. recommended the City establish segregation of duties over cash, cash receipts, disbursements, and financial reporting. Muxfeldt Associates, CPA, P.C. recommends the City comply with Chapter, 372.13 (6). Muxfeldt Associates, CPA, P.C. also recommends deficit fund balances be eliminated, approval for disbursements before issuance of the claim and unsupported disbursement documentation, correction of out of balance funds, payroll related issues, miss posted receipts, incorrect Annual Financial Report filing, and additional information needed on monthly Clerk's reports to the Council.

A copy of the examination report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.